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WORKING CAPITAL FUND FOR THE BIENNIUM 1994-1995

Proposals by the Director-General

Summary

On the basis of experience gathered in the biennium 1992-1993, makes proposals on the level and authorized purposes of the Working Capital Fund for the biennium 1994-1995.

Introduction

1. In accordance with financial regulation 5.4(a), the Programme and Budget Committee should recommend to the Industrial Development Board the amount and purposes of the Working Capital Fund.

2. Financial regulation 5.4(b) stipulates that "the source of moneys for the Fund shall be advances from Members, which shall be made in the proportion of the scale of assessments established by the Conference for the contributions of Members to the regular budget. The advances shall be carried to the credit of the respective Members who made the advances."

I. BIENNIUM 1992-1993

3. In its decision GC.4/Dec.16, the General Conference decided that the level of the Working Capital Fund should be $9 million and that the authorized purposes of the Fund for the 1992-1993 biennium should remain the same as for the 1990-1991 biennium. Accordingly, the Conference authorized the Director-General to advance from the Fund during the 1992-1993 biennium:

"(i) Such sums as might be necessary to finance budgetary appropriations pending the receipt of contributions; sums so advanced should be reimbursed as soon as receipts from contributions were available for that purpose;

"(ii) Such sums as might be necessary to finance unforeseen and extraordinary expenses, excluding expenditures intended to compensate for any losses caused by fluctuation in exchange rates; for sums so advanced, the Director-General should make provision in the budget estimates for reimbursing the Working Capital Fund".

4. As stated in financial regulation 5.5(d), advances to the Working Capital Fund shall be assessed and paid in United States dollars.

5. As of 31 December 1992, paid advances from Member States to the Working Capital Fund totalled $8,924,300. On 1 January 1992, the cash balance in the Working Capital Fund amounted to only $798,900. Although the critical cash flow situation continued during 1992, UNIDO was able to reimburse the Fund $3,000,000 during the last quarter when a major donor made a substantial payment and some other Member States made payments of arrears of contributions. The impact of the timing and the amount of those collections in combination with the reduced level of disbursements due to a holdback of a significant level of approved appropriations during 1992 made the partial reimbursement to the Fund possible. Consequently, taking into account adjustments in 1992, the cash balance in the Fund as of 31 December 1992 amounted to $3,734,300.

6. Present cash flow estimates indicate that additional replenishments to the Fund are not

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likely before the end of 1993. In the event of an improved collection rate of assessed contributions, however, the Working Capital Fund would be replenished as soon as and to the extent possible. Until such time, only the current cash balance of $3,734,300 is available to cover any delays in the receipt of funds from assessed contributions.

7. The decision of the General Conference to suspend temporarily financial regulations 4.2(b) and 4.2(c) with respect to the 1988-1989 biennium to allow UNIDO to retain the unutilized balance of appropriations (GC.4/Dec.15 (d)) has provided additional working capital to facilitate the work of the Organization. Without that suspension the Organization would not have had sufficient cash to meet its current obligations.

II. PROPOSALS FOR THE BIENNIUM 1994-1995

8. It is proposed that the current level of the Working Capital Fund of $9 million be maintained for 1994-1995 and that the purposes of the Fund continue to be those established by the Conference in its decision GC.2/Dec.27 (b).

9. On the basis of experience gathered since the 1986-1987 biennium, the Director-General assumes that most Member States will continue to meet their obligations and others will continue to improve their payments of outstanding assessed contributions, thereby providing funds to replenish the Working Capital Fund. However, the Director-General is concerned that even though a few Member States improved their payment status in the current biennium, this trend may not continue in 1994-1995. Therefore, it may not be possible to replenish the Working Capital Fund to the approved level during the next biennium.

III. ACTION REQUIRED BY THE COMMITTEE

10. The Committee may wish to recommend to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recommends to the General Conference that the level of the Working Capital Fund and the authorized purposes of the Fund for the 1994-1995 biennium remain the same as for the 1992-1993 biennium, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);

"(b) Urges Member States to pay their outstanding assessed contributions as soon as possible to facilitate reimbursement to the Working Capital Fund."